

ORIGINAL
GALLAGHER & KENNEDY NEW APPLICATION

P.A.
ATTORNEYS AT LAW



0000113787

RECEIVED

2010 JUL -1 P 1:56

AZ CORP COMMISSION
DOCKET CONTROL

July 1, 2010

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

HAND DELIVERED

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

E-01749A-10-0268

Re: *Graham County Electric Cooperative, Inc. ("GCEC") REST Plan for
Calendar Year 2011 (the "2011 REST Plan"); A.A.C. R14-2-1814;
Docket No. E-01749A-10-_____*

Dear Mr. Olea:

Pursuant to the requirements of A.A.C. R14-2-1814, enclosed is GCEC's 2011 REST Plan.¹ GCEC requests that the Commission approve the 2011 REST Plan as provided in R14-2-1814.

Should you or any Staff member have questions concerning the 2011 REST Plan, please contact me. Your assistance in relation to these matters is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

Michael M. Grant
By:

Michael M. Grant

MMG/plp
10421-51/2493516
Enclosure

Original and 13 copies filed with Docket
Control this 1st day of July, 2010.

cc (w/enclosure): Steve Olea, Utilities Division (delivered and e-mailed)
Ray Williamson, Utilities Division (delivered and e-mailed)
Brian Bozzo, Utilities Division (delivered)

Arizona Corporation Commission
DOCKETED

JUL -1 2010

DOCKETED BY	nr
-------------	----

¹ As required by the Rule, an electronic copy of the 2011 REST Plan is also being e-mailed to you.

Graham County Electric Cooperative, Inc.

REST Plan for Calendar Year 2011

A.A.C. R14-2-1814

July 1, 2010

TABLE OF CONTENTS

I.	BACKGROUND.....	1
II.	GCEC 2011 REST PLAN	2
III.	ADMINISTRATION OF THE SUNWATTS PROGRAM.....	5
IV.	ESTIMATED RESULTS/BUDGET/TARIFFS.....	7

APPENDIX 1: REBATE PROGRAM INCENTIVE MATRIX

APPENDIX 2: REST BUDGET

I. BACKGROUND

Graham County Electric Cooperative, Inc. ("GCEC") is a rural electric distribution cooperative headquartered in Pima, Arizona and an all-requirements member of Arizona Electric Power Cooperative ("AEPCO"). GCEC provides electric service to approximately 6,300 members in Graham County.

Since the inception of the Environmental Portfolio Standard ("EPS") and, subsequently, the Renewable Energy Standard and Tariff ("REST"), GCEC has participated in a joint renewable energy plan filed by AEPCO on behalf of its Arizona member distribution cooperatives. Over the past few years, the Sulphur Springs Valley Electric Cooperative, Inc., Mohave Electric Cooperative, Inc. and Trico Electric Cooperative, Inc. have elected instead to make individual filings. As a result, with this filing, GCEC is filing its own renewable energy plan that outlines programs available to GCEC members.¹

The Commission approved the Renewable Energy Standard and Tariff Rules ("REST Rules") in Decision No. 69127. The REST Rules took effect August 14, 2007.

The REST Rules contain a section that specifically addresses electric power cooperatives. R14-2-1814.B instructs the cooperatives by July 1 to file "an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year." Upon Commission approval, the provisions of the plan substitute for the requirements of R14-2-1804 and R14-2-1805 for the cooperative which proposes the plan.

Pursuant to these requirements, GCEC submits this REST Plan for calendar year 2011 (the "2011 REST Plan").

¹ Duncan Valley Electric Cooperative, Inc., AEPCO's other remaining Class A member, is also filing its individual REST Plan.

II. GCEC 2011 REST PLAN

GCEC uses surcharge dollars and proceeds from consumer participation in the Green Energy Purchase Program to fund renewable programs. The 2011 REST Plan includes incentive support for distributed residential and commercial photovoltaic, solar water heating, wind generation and other renewable technologies. Funds are also used to pay for the administration, advertising and promotion of SunWatts programs.

The 2011 REST Plan continues rebate support for all technologies that were approved as part of the joint 2010 REST Plan filed by AEPCO on GCEC and others' behalf.² There are five SunWatts programs that make up the GCEC 2011 REST Plan:

- (1) The Renewable Energy Purchase Program;
- (2) The Residential, Commercial and Large Commercial Rebate Program;
- (3) The Large-Scale Purchase Power Contract & Generating Program;
- (4) The Educational Grant Program; and
- (5) The PV for Government, Schools and Nonprofits Program.

Each of these programs is discussed in greater detail below.

(1) SunWatts Renewable Energy Purchase Program: Retail customers are given the opportunity to voluntarily support development of renewable energy resources. Renewable energy is offered to customers for purchase in 50 kWh blocks at a cost of \$2.00 per block. Renewable energy purchases are reflected as a line item on participating customers' retail bills. All funds received are used in support of the REST Plan programs. Advertising and other promotional activities are used to encourage participation in this program.

² Decision No. 70655 dated December 18, 2008.

(2) SunWatts Residential, Commercial and Large Commercial Rebate Program:

The rebate program pays customers rebates to encourage the installation of qualifying photovoltaic ("PV"), solar water heating, small wind systems and other renewable technologies.

The residential rebate program will pay Up Front Incentives ("UFI") to members interested in installing qualifying PV, small wind, solar water heating and solar daylighting systems. Subject to available budget funds, GCEC will pay a UFI of \$2.00 per installed watt for solar and wind systems up to 10 kW in size. Solar water heating and solar daylighting systems will be supported with UFIs as outlined in Appendix 1. Projects receiving a UFI can receive no more than 40% of the total cost of the system in an incentive payment. GCEC will own all the renewable energy credits ("RECs") from a project receiving a UFI for its operational life.

The commercial rebate program provides PBI incentives for PV and small wind energy systems that are larger than 10 kW—subject also to available budget funds in any year. Additional technologies are supported with Performance Based Incentives ("PBI") as outlined in Appendix 1. Some PBI incentives outlined in Appendix 1 were adjusted using the Uniform Credit Purchase Program ("UCPP") Year 3 program guidelines. PBI agreements are available up to a 20-year term, but may be limited to the expected operational life of the technology. On all projects supported by a PBI, GCEC will own the RECs for the term of the REC agreement. Total PBI payments cannot exceed 50% of actual project cost. Systems that qualify for a PBI will also be subject to a competitive selection process where the most cost effective projects will be rebated first. PBI projects will be competitively selected on a quarterly to semiannual basis. If a project is not chosen for funding, the applicant will be informed of the project's status and given an opportunity to resubmit the project for consideration during the next selection process. Regardless of the number of projects submitted in a given evaluation period, GCEC reserves the right to negotiate the PBI agreement based on current market conditions to acquire the most

competitively priced RECs. Distributed projects that are one megawatt or larger are not eligible for the incentives outlined in Appendix 1, but instead will be negotiated on a per-project basis relative to current market conditions.

Subject to the foregoing, distributed generation projects will be rebated on a first-come, first-served basis until funding is exhausted. Approved systems that are not rebated are eligible to be placed on a waiting list until additional funding is available. When funding is available, rebates will be paid to the customer following a final inspection of the system. System installations are required to be performed by a licensed renewable energy contractor or electrician. In the case of solar water heaters, a licensed plumber can be used. If local conditions dictate, GCEC may allow self-installations as long as the customer has the installation inspected and verified by a licensed contractor. Incentives for all supported technologies are found in Appendix 1.

GCEC expects that the residential and commercial rebate program will support the installation of approximately 156 kW of qualifying renewable technologies in 2011. In addition, GCEC is currently supporting, with other cooperatives, a geothermal project in Willcox, Arizona.

(3) The SunWatts Large-Scale Purchase Power Contract and Generating Program: The SunWatts large-scale program calls for GCEC, on its own or in partnership with others, to participate and assist in the development of large-scale renewable resources, either through purchase power agreements or by construction of utility-owned resources. Current plans do not include a large-scale project to come online in 2011.

(4) PV for Government, Schools and Nonprofits Program: GCEC will encourage installation of renewable energy systems on government, school and nonprofit buildings within its service territory by offering a PBI, consistent with those offered in the rebate program, to

third-party developers or those with access to stimulus funding interested in installing renewable systems on such structures. The objective of this program is to use GCEC funding and leverage it to provide greater benefits to such entities.

(5) SunWatts Educational Grant Program: GCEC will continue its support of renewable energy education in the classroom by offering teachers education grants for the development of renewable curricula. The intention is to provide grants to teachers in the GCEC service territory annually for this purpose—up to a maximum of \$10,000. Grants per teacher will be limited to a maximum of \$1,000.

Further, GCEC will continue its support of the Arizona Utilities for Renewable Energy Education (“AZURE”) initiative. AZURE is jointly developing renewable energy education materials for teachers and educators across Arizona. The group’s website is www.azure-education.com. GCEC is also participating in and will contribute funding to support the Commission’s “Go Solar Arizona” website initiative.

III. ADMINISTRATION OF THE SUNWATTS PROGRAM

Annual Reporting and Plan Development: By April 1, 2012, GCEC will file a report describing results achieved under this 2011 REST Plan. On or before July 1 of each year, GCEC will file an updated plan as required by R14-2-1814.B.

Advertising and Promotion: SunWatts programs will be advertised in a variety of media, including, but not limited to: bill inserts and ads/stories in monthly newsletters; counter cards and posters; paid ads in local newspapers; paid ads on rural radio stations; participation at local events, such as the GCEC annual meeting and county fairs. Additionally, a SunWatts promotional presence outlining GCEC programs will be maintained on the AEPCO website.

Rebate Program Process and Procedures

GCEC generally follows the program process guidelines of the UCPP working group recommendations.

Projects eligible to receive a UFI incentive are handled based on procedures similar to the following. First, the member submits an enrollment form to GCEC indicating interest in the program. The enrollment form is evaluated to determine project eligibility and form completeness. If the enrollment form is not sufficient or the project is not eligible, the member is notified of project status. If the project qualifies, GCEC determines funding availability. If funds are available, the member is notified of project acceptance and that the project must be ready for inspection within 120 days of the application date. If the 120 days expires prior to inspection, the member must resubmit the project (an extension may be granted for good cause on a case-by-case basis). If no funding is available, the project is put on a waiting list and the member is notified as to that status. All projects on a waiting list will be funded in the order received as additional funding becomes available. Once GCEC accepts a project, the member must complete an interconnection agreement, submit a system schematic and provide copies of the project estimate and all permits within 30 days. Once the system is installed, the member informs GCEC of that fact. The system is inspected and the interconnection is verified. Once the system passes the inspection, GCEC processes the incentive.

Projects that are eligible to receive a PBI must first submit an enrollment form indicating interest in participation. Enrollment forms are evaluated for completeness and project eligibility. The member is notified of any deficiencies and given an opportunity to resubmit. If the enrollment form is accepted, it is put in a queue to compete against other projects. Project evaluations are conducted quarterly or semiannually and all projects received during an evaluation period compete with other applications received. Projects will be evaluated based on

the PBI being requested, the benefit the project brings to the community and the benefit the project brings to the system. The top projects will be awarded support until the budgeted funding for that period is exhausted. Any projects not selected can resubmit for consideration in the next evaluation period. Selected PBI projects must be installed within 120 days of acceptance before the project needs to be resubmitted. The remainder of the PBI process is similar to the process for UFI projects.

Members can, at their own risk and discretion, assign their utility incentive to the contractor installing their system by contacting the Cooperative in advance of the installation and making the necessary arrangements.

IV. ESTIMATED RESULTS/BUDGET/TARIFFS

Estimated Results

Based on the programs and projects currently in place, as well as the assumptions stated in this 2011 REST Plan, GCEC anticipates a full year's operation would generate approximately 1,402 MWh of distributed renewable energy.

Based on an agreement reached among the 2009 REST Plan Participating Cooperatives, GCEC relinquished reporting rights to 253 kW of distributed generation PV resource installed in the GCEC service area. This agreement was reached to compensate fairly all Participating Cooperatives for their financial contributions to the AEPCO joint program from 2005-2009.

Budget

The budget for this 2011 REST Plan is provided in Appendix 2. The total GCEC program budget for 2011 is \$315,000. Of this, \$273,000 or 87% of the budget is allocated to support DG program activities. However, GCEC reserves the right to move budgeted monies from program areas where funding is unspent to other program areas as needed.

Tariffs

No adjustment to the GCEC surcharge tariff is needed to fund this 2011 REST Plan.

APPENDIX 1

REBATE PROGRAM INCENTIVE MATRIX

Technology	UFI	PBI
Solar Electric	\$2 per watt up to 10 kW <i>Cannot exceed 40% of System Cost</i>	Not to exceed \$0.14 per kWh (for systems over 10 kW) <i>Cannot exceed 50% of System Cost</i>
Small Wind	\$2 per watt up to 10 kW <i>Cannot exceed 40% of System Cost</i>	Not to exceed \$0.097 per kWh (for systems over 10 kW) <i>Cannot exceed 50% of System Cost</i>
Solar Water Heating	\$.75 per kWh for first year savings	Not Eligible
Solar Daylighting	\$.18 per kWh for first year savings	Not Eligible
Geothermal Electric Thermal	Not Eligible	\$.020 per kWh over 20 years \$.040 per kWh over 20 years
Biogas/Biomass Electric Thermal	Not Eligible	\$.050 per kWh over 20 years \$.013 per kWh over 20 years
Cooling		\$.027 per kWh over 20 years
CHP-Electric		\$.029 per kWh over 20 years
CHP-Thermal		\$.015 per kWh over 20 years
Solar Space Cooling	Not Eligible	\$.108 per kWh over 20 years

APPENDIX 2

Proposed GCEC 2011 REST Budget

	2011
Estimated Collected REST Funds	\$315,000
Rebate Program	(\$273,000)
Residential DG	(\$246,000)
Commercial DG	(\$27,000)
L-S Purchase Power & Generation Program	\$0
Educational Grant Program	(\$5,000)
Advertising	(\$2,000)
Administration/R&D	(\$35,000)